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HARTFORD, CONNECTICUT 06106-1591

Testimony in SUPPORT of House Bill 5489
Finance, Revenue, and Bonding Committee
March 25, 2022

Chairs Scanlon and Fonfara, Ranking Members Cheeseman and Martin, and members of the Finance, Revenue and Bonding Committee, we thank the committee for raising *HB 5489, An Act Concerning the Indexing of Certain Personal Income Tax Thresholds and Exemption Amounts*.

Inflation just hit its highest level since 1982. According to the Bureau of Labor Statistics, the consumer price index (CPI) rose 7.9% over the last 12 months. Everything from gas to groceries has increased in price during the last year, and it will continue to increase in the near future. While inflation affects everyone, it is especially impactful on lower- and middle-class Americans.

As inflation rises at a pace we have not seen in decades, wages have struggled to keep pace. Nevertheless, Connecticut's income tax brackets and personal exemptions are not indexed to inflation. This results in an unintended tax increase on our constituents which pushes them into a higher tax bracket even though their real income relative to the cost of living has remained stagnant. This is often referred to as "bracket creep" or a "hidden tax" and represents an unfair burden placed on residents by no fault of their own. This proposal will help alleviate that burden by indexing the state's personal income tax brackets and personal exemption to inflation using the chained consumer price index for all urban consumers (C-CPI) beginning in 2023. Indexing the personal income tax brackets and personal exemption to inflation will help alleviate the issue of increased income taxes on residents who saw their wages increased due to inflation, while their purchasing power remained the same. Connecticut residents pay some of the highest income taxes in the country, contributing billions to the state. Indexing these provisions of the income tax code is a common-sense public policy which enjoys broad support across both political parties.

We thank the committee for raising this bill and urge the committee to allow it to move forward in the process. Thank you for allowing us to testify and we look forward to your questions.

